WING LEE HOLDINGS LIMITED
永利控股有限公司

STOCK CODE : 876

2010 Annual Report

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chow Tak Hung *(Chairman)*
Ms. Chow Woon Yin *(Deputy Chairman)*
Ms. Wong Siu Wah
Ms. Chau Choi Fa *(Managing Director)*

Independent Non-executive Directors

Dr. Lau Yue Sun
Mr. Yip Tai Him
Mr. Lam Kwok Cheong

COMPANY SECRETARY

Mr. Tam Chak Chi

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Bermuda

Conyers Dill & Pearman

Hong Kong

Richards Butler

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Dah Sing Bank, Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 201 & 206-208, 2nd Floor
Sunbeam Centre
27 Shing Yip Street
Kwun Tong, Kowloon
Hong Kong

SHARE REGISTRARS

Bermuda Principal

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Hong Kong Branch

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

Stock Code on the Stock Exchange of Hong Kong Limited: 876

COMPANY WEBSITE

www.wingleeholdings.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Wing Lee Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

For the year, the Group achieved a revenue of HK$425 million (for the year ended 31 December 2009: HK$332 million), representing an increase of 28% as compared with the same period of last year. Profit for the year attributable to owners of the Company was approximately HK$80 million (for the year ended 31 December 2009: restated as HK$58 million), representing an increase of 38% as compared with the same period of last year. Earnings per share were HK22.41 cents (for the year ended 31 December 2009: restated as HK16.28 cents).

BUSINESS REVIEW

During 2009, the impact brought by the financial tsunami had once caused global economic panic which led to substantial contraction in the electronic consumer product market. As a result, the number of orders received by the Group for the same period of last year was severely affected, so was the sales of electronic components manufacturing sector. Fortunately, the global economy stabilized and revitalized gradually in 2010 and customers enlarged their production volume, such that the Group maintained a high level of sales. In addition to a marked improvement in overall sales as compared with the same period of 2009, through operating with caution and stringent cost control, the Group has also recorded growth in terms of gross profit, gross profit margin, profit and profit margin as raw material and peripheral costs were relatively stable.

In spite of improvement in global market conditions when it came to year 2010, there are a number of uncertainties lurking in the economy of major consumption countries like Europe, the US and Japan, coupled with soar of domestic inflation and production costs. Therefore, as a manufacturing enterprise, the Group has to act cautiously though it remained fully confident of the prospects and continued implementing a series of policies as follows:

i) as the overall production has realized effect of scale when it came to the third year after the relocation of plant to Heyuan, the management will continue to develop with full effort to unceasingly enhance efficiency and enlarge production capacity for additional order execution, and will focus on optimizing products design and overall quality management to control quality cost;

ii) the electroplating production line of Heyuan plant will have its production scale enlarged to synchronize other processes, which allows better control over electroplating quality, and saves considerable subcontracting costs of electroplating for the Group;

iii) more resources will be deployed to automatic assembly production lines, and new products allow assembly on automatic equipments will be developed with clients, in addition, orders relied on manual assembly in the past will be lessened, so as to reduce reliance on labor and to avert effects of issues like wage hikes and labor shortages, and then to secure profit;

BUSINESS REVIEW – continued

iv) deteriorating business environment for electronics component manufacturing sector, fluctuating raw material and energy prices from time to time, severe labor shortage and concern over RMB appreciation, all impose no less pressure on our competitors, so we believe that small, poorly managed and less-equipped manufacturers will be eliminated. Meanwhile, integration of the industry is expected to be accelerate and the Group's market share will continue to rise; and

v) The Group's main customer base is dominated by Japanese brands. Affected by the high value yen, the cost of these customers has sharply risen in recent years. If the customers change the company operations, outsourcing part of production process by OEM and ODM, may cause a loss of order to the Group. As such, the Group will increase efforts to expand in Korean market in 2011 and 2012, where the leading customers have made orders and the products were well delivered. The management expects Korean market will become another important revenue source of the Group, and will contribute twenty percent of total sales; and

vi) based on excellent product quality and well-established cooperation relationships, the Group has secured the world's leading manufacturers of electronic consumer products as major customers, which guarantees a sufficient product demand. Moreover, the Group is striving to expand into other product markets for these manufacturers. Meanwhile, for products the price of which is too low and unprofitable, we will gradually raise the sales price or even waive them, in order to maintain profitability and effective ultilization of production capacity.

Regarding the properties investment segment, the Group acquired a total of four properties located in Hong Kong in 2010, including two commercial shops located in Wan chai, a single building property located in Mong Kok and a single building property located in To Kwa Wan for long-term holding and leasing purposes, making a total of seventeen groups of properties in the portfolio with fourteen in Hong Kong (including a total of eighteen commercial shops) and the other three in the PRC.

At the reporting date, the aggregate market value of property investment porfolio, being appraised by independent valuers, amounted to HK$491 million. A fair value gain of approximately HK$36 million on investment properties and an annual rental income of approximately HK$15 million were recorded by the Group. The management is of the opinion that the Group's commercial shops properties primarily invested in Hong Kong, have relatively lower risk as compared to other investment instruments. The value of investment properties and the rental yield are expected to pick up continuously when the market conditions take a turn for the better.

In light of the continued expansion of property investment business, the management has established a property department to handle lease matters with directors assigned for direct participation, and will keep on identifying quality properties for investment with an aim to enrich the Group's investment property portfolio and to generate a steady income source for the Group.

PROSPECTS

As compared with last year, the Group has made remarkable improvement in its overall performance in 2010. The management is optimistic about the operation conditions and believes that the worst times have passed away, and orders in 2011 will maintain a high level. The Group has sufficient cash reserve and low borrowing rate, and its customer base comprises a majority of internationally renowned electronic consumer product brands. We will seek to lay a solid foundation for the future through expanding customer and product coverage. At the same time, we will adhere to sound investment strategies in identifying low-risk assets for investment so as to reap a reasonable return, and will exercise caution in considering new investment projects.

In the long run, we have full confidence in the future and believe that our various segments and investments will surely be able to generate considerable and stable income along with the general economic recovery.

FINAL DIVIDEND

The recent tragic earthquake and tsunami disasters in Japan are expected to bring the world economy into a turmoil again, as such, the Directors believe that the Group should hold on to excess cash to encounter any kinds of market fluctuations and uncertainties. After careful consideration, the Board has resolved to recommend a final dividend of HK2.0 cents per share for the financial year ended 31 December 2010 to be payable on or around 16 May 2011 to the Company's shareholders whose names appear on the register of members of the Company on 6 May 2011 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 May 2011 to Friday, 6 May 2011 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 May 2011.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our beloved shareholders, respectable customers, dedicated vendors and professional bankers for their support over the year and look forward to a closer cooperation in coming years.

I would also like to personally thank all management and staff for their hard work and commitment to the Group and cheer them as we tackle future challenges successfully.

CHOW TAK HUNG
Chairman

Hong Kong, 25 March 2011

CORE BUSINESSES

Manufacturing of Electronic Components

The first core business of the Group consisted of the design, manufacture and sale of electronic jacks and connectors, all of which were basic components used in electronic, communication and computer products. The major customer groups who accounted for the larger proportion in the Group's products sales were reputable brand named owners from Japan, Korea, Europe and USA.

Properties Investment

The second core business of the Group is the investment of properties in Hong Kong and the PRC for long-term holding and leasing purposes, that generates a stable income source.

The Group acquired four additional investment properties during 2010 with a total consideration of HK$145 million. The said properties comprise of two commercial shops located in Wanchai, a single building property located in Mongkok and a single building property located in Tokwawan, making a total of seventeen groups of properties in the portfolio with fourteen in Hong Kong (including a total of eighteen commercial shops) and the other three in the PRC. The Group did not dispose any investment properties during 2010.

As at 31 December 2010, the aggregate market value of investment properties, being appraised by independent property valuers, amounted to HK$491 million (31 December 2009: HK$308 million). Due to the continue market boom, an appreciation of HK$36 million (for the year ended 31 December 2009: HK$27 million) was recorded, which was reflected as gain arising from fair value changes of investment properties.

The investment properties generated a total rental income of HK$15 million (for the year ended 31 December 2009: HK$11 million) with a nearly 100% occupancy rate and an average return of 3.8% per annum (for the year ended 31 December 2009: 4.0%).

FINANCIAL REVIEW

Liquidity and Capital Resources

In order to comply with the requirements set out in HK INT 5 (please see note 1 to the Financial Statements for details), the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amount of HK$12.5 million have been reclassified from non-current liabilities to current liabilities as at 31 December 2009. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$142.5 million have been classified as current liabilities. The application of HK INT 5 has brought to a net current liabilities of HK$11 million (31 December 2009: net current assets of HK$83 million) to the Group. It has had no impact on the reported profit or loss nor the required earning per share for the current and prior years.

FINANCIAL REVIEW – continued

Liquidity and Capital Resources – continued

Subsequent to the end of the reporting period, the Group entered into revised banking facilities with banks to remove the repayable on demand clause for certain bank loans. As a result, as at the date of this report, bank loans amounting to HK$80.8 million as at 31 December 2010 which are repayable after one year and without a repayable on demand clause are reclassified from current liabilities to non-current liabilities.

The Group continued to adopt a prudent financial management policy, which operated generally with internal resources. The bank borrowing ratio was 20.7% (31 December 2009: 3.3%), represents a lower borrowing exposure as compared to other companies in the similar industry. The loans were principally used to finance the acquisition of investment properties.

Moreover, as at 31 December 2010, the bank deposits and cash of the Group were HK$77 million (31 December 2009: HK$39 million), which included time deposits of HK$4.7 million (31 December 2009: HK$11.5 million). Shareholders' funds rose to the level of HK$687 million (31 December 2009: HK$601 million).

Capital Expenditure

The total capital expenditure incurred for 2010 was HK$160 million (for the year ended 31 December 2009: HK$37 million), out of which, approximately HK$15 million (for the year ended 31 December 2009: HK$12 million) was expended on the Heyuan plant, whereas approximately HK$145 million (for the year ended 31 December 2009: HK$25 million) was paid to acquire investment properties.

Treasury Policy

The Group's sales were principally denominated in US dollars and Hong Kong dollars while purchases were transacted mainly in US dollars, Renminbi and Hong Kong dollars. The fluctuation of Renminbi in 2010 did not materially affect the costs and operations of the Group during the year and the directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total of 2,400 employees (31 December 2009: 2,600 employees) in Hong Kong and Mainland China. The total salaries and wages for 2010 amounted to HK$96 million (for the year ended 31 December 2009: HK$80 million).

Employees are remunerated based on their performances, experience and prevailing industry practice. The Group's remuneration policies and packages were reviewed by its management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chow Tak Hung, aged 57, is the Chairman of the Group. Mr. Chow founded the business of the Group in 1971, and has over 35 years of management, production and marketing experience in the electronics industry. He is responsible for the overall strategic planning and corporate policy of the Group.

Ms. Chow Woon Yin, aged 54, is the Deputy Chairman of the Group. Ms. Chow is the younger sister of Mr. Chow Tak Hung and the sister-in-law of Ms. Chau Choi Fa. She joined the Group in 1985, and has over 25 years of management, production and marketing experience in the electronics industry. She is responsible for the sales and marketing of the Group.

Ms. Wong Siu Wah, aged 64, is the Administration Director of the Group. Ms. Wong joined the Group in 1990, and has over 20 years of management experience in the electronics industry. Prior to joining the Group, she has over 15 years of management experience in the toy industry. She is responsible for the overall administration and properties investment of the Group.

Ms. Chau Choi Fa, aged 43, is the Managing Director of the Group. Ms. Chau is the wife of Mr. Chow Tak Hung and the sister-in-law of Ms. Chow Woon Yin. She joined the Group in 1988, and has over 20 years of management and production experience in the electronics industry. She is responsible for the overall production planning and management of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lau Yue Sun, BBS, aged 70, is the managing director of New Products Investment Limited and Jip Fair Development Limited, as well as an independent non-executive director of Goldlion Holdings Limited, which is a company listed on the Stock Exchange. He has over 30 years of experience in manufacturing, electronics, plastic injection products and import-export business. Dr. Lau is a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR, a member of the Second and Third Election Committee of the HKSAR and a standing committee member of the Chinese General Chamber of Commerce. He is also an advisor of Guangdong Education Foundation and a vice president of Guangdong Federation of Industry and Commerce.

Mr. Yip Tai Him, aged 40, is a practising accountant in Hong Kong. Mr. Yip is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has over 15 years of experience in accounting, auditing and financial management. Mr. Yip is also an independent non-executive director of China Communication Telecom Services Company Limited, KH Investment Holdings Limited, GCL-Poly Energy Holdings Limited, iOne Holdings Limited and Vinco Financial Group Limited, all of which are companies listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS – continued

Mr. Lam Kwok Cheong, aged 57, is a Justice of Peace and a solicitor of the High Court of the HKSAR. He holds a Bachelor of Laws degree from the University of Hong Kong. Mr. Lam was a member of the Election Committee of the HKSAR, and currently a member of Buildings Ordinance Appeal Tribunal Panel, a member of Panel of Adjudicators, Obscene Articles Tribunal and an Ex-Officio Member of Heung Yee Kuk. Mr. Lam is also an independent non-executive director of 21 Holdings Limited, Same Time Holdings Limited and Sparkle Roll Group Limited, all of which are companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tam Chak Chi, aged 34, is the Financial Controller of the Group. Mr. Tam is also the Group's Company Secretary. Mr. Tam joined the Group in 2006 and has over 10 years of experience in auditing, financial management and taxation. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Tam is responsible for the finance and company secretarial matters of the Group.

Mr. So Shun Tong, aged 47, is the General Manager of the Group. Mr. So joined the Group in 1985 and has over 25 years of engineering and manufacturing experience in the electronics industry. He is responsible for the production and administration of the factories in PRC.

Ms. Chan Sze Wan, aged 39, is the Marketing Manager of the Group. Ms. Chan joined the Group in 1992 and has over 15 years of sales and marketing experience in the electronics industry. She is responsible for the sales and marketing of products to both local and overseas customers.

Mr. Cheng Yiu Kwan, aged 60, is the Advisor of the Group. Mr. Cheng joined the Group in 2005 and has over 30 years of management and marketing experience in the finance industry. He holds a Bachelor of Arts degree in economics from the International Christian University, Tokyo, and a Master of Business Administration degree in finance from the University of British Columbia, Vancouver. Mr. Cheng is responsible for assisting the sales team in their overall interactions with major customers.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Group for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

The Board considers effective corporate governance a key component in the Group's sustained development and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has considered and applied the principles set out in the "Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code, except the code provisions A.2.1 and A.4.2. The details of the foregoing deviations are provided below.

The Company periodically reviews its corporate governance practices to ensure that they comply with the statutory and regulatory standards and align with the latest developments.

A. BOARD OF DIRECTORS

(1) Responsibilities

The overall management of the Group's business is vested in the Board, which assumes the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs and overseeing the implementation of plans to enhance shareholder value. Every director carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and takes decisions objectively in the interests of the Group and the shareholders.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The independent non-executive directors may take independent professional advice at the Company's expense in carrying out their functions, upon making request to the Board.

A. BOARD OF DIRECTORS – continued

(2) Board Composition

The Board comprises the following directors:

Executive directors:

Mr. Chow Tak Hung	*(Chairman of the Board, Chief Executive Officer and Chairman of both the Remuneration Committee and the Nomination Committee)*
Ms. Chow Woon Yin	*(Deputy Chairman)*
Ms. Wong Siu Wah	
Ms. Chau Choi Fa	*(Managing Director)*

Independent non-executive directors:

Dr. Lau Yue Sun	*(Member of both the Audit Committee and the Remuneration Committee)*
Mr. Yip Tai Him	*(Chairman of the Audit Committee and Member of both the Remuneration Committee and the Nomination Committee)*
Mr. Lam Kwok Cheong	*(Member of both the Audit Committee and the Nomination Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time. The biographical details of the directors of the Company as well as the relationships among them, if any, are set out under "Directors and Senior Management Profile" on pages 8 to 9.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group.

The Board has at all times met the requirements of the Listing Rules relating to the appointment of a minimum of three independent non-executive directors with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmation from all of its independent non-executive directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers that all of them are independent in accordance with the independence guidelines set out in the Listing Rules.

A. BOARD OF DIRECTORS – continued

(2) Board Composition – continued

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board Committees of the Company. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

(3) Chairman and Chief Executive Officer

The code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual so that power is not concentrated in one individual.

Mr. Chow Tak Hung currently holds the offices of Chairman and Chief Executive Officer of the Company. Mr. Chow is the founder of the Group and has extensive experience in the electronics industry. He has the appropriate standing, management skills and business acumen that are essential prerequisites for assuming the two roles. The Board believes that vesting both roles in Mr. Chow provides the Group with strong and consistent leadership and, at the same time, allows for the continuous effective operations and development of the Group's business. As such, the structure is beneficial to the Group and the shareholders as a whole.

As other Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are delegated to the management, the Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority.

(4) Appointment and Re-Election of Directors

Each of the executive directors of the Company is engaged on a service contract for a fixed term. The current term for all executive directors is 3 years. All the independent non-executive directors of the Company have also been appointed for a specific term, subject to re-election. The term of office of each independent non-executive director is 1 year.

The code provision A.4.2 of the CG Code requires that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-laws deviates from such code provision in the following aspects with the reasons of the deviations/ measures taken to address the deviations specified below:

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

(a) The Bye-laws provides that any new director appointed by the Board shall be subject to election by shareholders of the Company at the Company's next following annual general meeting, instead of the first general meeting, after appointment.

– The reason for keeping such Bye-laws provision is to ensure the Company's compliance with paragraph 4(2) of Appendix 3 to the Listing Rules and also to facilitate the Company's process of re-election of directors since it enables the Company and the shareholders to consider the re-election of those new directors appointed by the Board during the year and of those directors retiring by rotation at the same general meeting.

(b) The Bye-laws has not stated that directors should be subject to retirement by rotation at least once every three years and besides, it provides that the Chairman of the Board and/or the Managing Director shall not be subject to retirement by rotation.

– Notwithstanding the foregoing Bye-laws provisions, in practice, Ms. Chau Choi Fa, the Managing Director of the Company, has voluntarily submitted herself for re-election by shareholders before and will continue to do so; and Mr. Chow Tak Hung, the Chairman of the Board, will also voluntarily submit himself for re-election by shareholders in the Company's annual general meeting, such that all directors of the Company are subject to retirement by rotation at least once every three years.

The Board will consider in due course whether amendments on the Company's Bye-laws are necessary.

Nomination Committee

The Nomination Committee of the Company comprises one executive director, namely Mr. Chow Tak Hung (Chairman of the Committee), and two independent non-executive directors, namely Mr. Yip Tai Him and Mr. Lam Kwok Cheong.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessment of the independence of the Company's independent non-executive directors.

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

Nomination Committee – continued

As set out in the Committee's Terms of Reference, the Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, character, personal ethics and integrity and time commitments of such individuals as well as the Company's needs and market conditions. An external recruitment agency may be engaged to carry out the selection process when necessary.

The Nomination Committee held one meeting during the year ended 31 December 2010 and the attendance record is set out under "Directors' Attendance Records" of this report. The Committee performed the following work during the year:

(a) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company;

(b) recommended the re-appointment of Dr. Lau Yue Sun and Mr. Yip Tai Him, the directors standing for re-election at the 2010 annual general meeting of the Company held on 1 June 2010; and

(c) assessed the independence of the Company's independent non-executive directors.

(5) Induction and Continuing Development for Directors

Each newly appointed director shall receive an induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Professional briefings and development to directors will be arranged whenever necessary.

A. BOARD OF DIRECTORS – continued

(6) Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer, Managing Director and Company Secretary normally attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. Pursuant to the Company's Bye-laws, directors are required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2010, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director/Committee member at the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee during the year ended 31 December 2010 are set out below:

A. BOARD OF DIRECTORS – continued

(6) Board Meetings – continued

Directors' Attendance Records – continued

	Attendance/Number of Meetings			
Name of Directors	Board	Nomination Committee	Remuneration Committee	Audit Committee
Executive directors:				
Mr. Chow Tak Hung	4/4	1/1	1/1	N/A
Ms. Chow Woon Yin	4/4	N/A	N/A	N/A
Ms. Wong Siu Wah	4/4	N/A	N/A	N/A
Ms. Chau Choi Fa	4/4	N/A	N/A	N/A
Independent non-executive directors:				
Dr. Lau Yue Sun	4/4	N/A	1/1	2/2
Mr. Yip Tai Him	4/4	1/1	1/1	2/2
Mr. Lam Kwok Cheong	4/4	1/1	N/A	2/2

(7) Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' dealings in the Company's securities.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

B. DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Group, including the approval and monitoring of all policy matters, overall strategies and development, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, budgets, appointment of directors and other significant financial and operational matters.

B. DELEGATION BY THE BOARD – continued

The day-to-day management, administration and operations of the Group are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. The Board will give directions to the senior management as to their powers of management, and circumstances where they should report back. Approval has to be obtained from the Board prior to any decision making on significant transactions or entering into any significant commitments on behalf of the Company.

The senior management has an obligation to supply the Board and its Committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each director have separate and independent access to the senior management.

In addition, the Board has established 3 Committees, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Group's affairs. All these Committees are established with defined written terms of reference which are available to shareholders upon request.

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the directors and senior management of the Group. Details of the remuneration of each director of the Company for the year ended 31 December 2010 are set out in note 12 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee comprises one executive director, namely Mr. Chow Tak Hung (Chairman of the Committee) and two independent non-executive directors, namely Dr. Lau Yue Sun and Mr. Yip Tai Him.

The primary functions of the Committee include making recommendations to the Board on the remuneration policy and structure and remuneration packages of directors and senior management. It is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration.

The Remuneration Committee held one meeting during the year ended 31 December 2010 for reviewing generally the remuneration policy and structure of the Group, and the remuneration packages as well as the annual bonuses of the executive directors and the senior management. The attendance record is set out under "Directors' Attendance Records" of this report.

D. ACCOUNTABILITY AND AUDIT

(1) Directors' Responsibilities for Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

(2) Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company and, with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The Board has conducted an annual review of the effectiveness of the internal control system of the Group for the year ended 31 December 2010. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

(3) Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Yip Tai Him (Chairman of the Committee who possesses the appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules), Dr. Lau Yue Sun and Mr. Lam Kwok Cheong. None of the members of the Audit Committee is a former partner of the Company's existing independent auditor.

D. ACCOUNTABILITY AND AUDIT – continued

(3) Audit Committee – continued

The main duties of the Committee include review of the financial information of the Group, review of the relationship with and the terms of appointment of the independent auditor, and review of the Group's financial reporting system, internal control system, risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2010. The attendance records are set out under "Directors' Attendance Records" of this report. The Committee performed the following work during the year:

(a) reviewed with the independent auditor the Group's annual audited financial statements for the year ended 31 December 2009, and reviewed the unaudited interim financial statements for the six months ended 30 June 2010, with recommendations made to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made recommendations on the re-appointment of the independent auditor and the terms of engagement.

(4) Independent Auditor and Auditor's Remuneration

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 26 to 27.

The remuneration paid to the Company's independent auditor, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2010 is set out below:

Type of services provided by the Independent auditor	**Amount of fees**
	HK$'000
Audit services	1,150
Non-audit services:	
Tax consultancy and compliance	76
Total	1,226

E. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective Committees normally attend shareholders' meetings of the Company to answer shareholders' questions. During the year ended 31 December 2010, the Company held one shareholders' meeting, which is the annual general meeting held on 1 June 2010. Six members of the Board were present at this meeting to address to shareholders' enquiries.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, business developments and operations, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

F. SHAREHOLDERS' RIGHT

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The poll voting results will be published on the websites of the Stock Exchange and the Company after the meeting.

The directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 28.

An interim dividend of HK1 cent per share amounting to HK$3,534,000 was paid to the shareholders during the year. The directors have resolved to recommend the payment of a final dividend of HK2 cents per share.

SHARE CAPITAL

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited, details of which are set out in note 26 to the consolidated financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchase would increase the net asset value per share of the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2010, the Company's reserves available for distribution consisted of contributed surplus of HK$24,930,000 (2009: HK$24,930,000) and retained profits of HK$20,040,000 (2009: HK$4,183,000).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at a cost of HK$145,124,000. Details of the movements in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group invested HK$15,490,000 in property, plant and equipment. Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. Chow Tak Hung *(Chairman)*
Ms. Chow Woon Yin *(Deputy Chairman)*
Ms. Wong Siu Wah
Ms. Chau Choi Fa *(Managing Director)*

Independent non-executive directors:
Dr. Lau Yue Sun
Mr. Yip Tai Him
Mr. Lam Kwok Cheong

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Mr. Chow Tak Hung, Ms. Chau Choi Fa and Mr. Lam Kwok Cheong retire and being eligible, offer themselves for re-election.

Each of the executive directors of the Company has entered into a service agreement with the Company for a term of three years commencing on 1 October 2008 and either the executive director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing or by making a payment of three months' salary in lieu of the notice.

Further, each of the independent non-executive directors of the Company has entered into a letter of appointment with the Company and is appointed for a period of one year commencing on 1 June 2010 and either the independent non-executive director or the Company may terminate the appointment by giving the other party not less than three months' notice in writing or by making a payment of three months' fee in lieu of the notice.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2010, none of the directors and the chief executive had any interests or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they would be deemed to taken to have under Sections 344 and 345 of the SFO) or which would be required to be disclosed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the register referred therein pursuant to Section 352 of the SFO.

Long positions in ordinary shares of HK$0.50 cent each of the Company:

Name of director	**Family interest**	**Corporate interest**	**Total number of shares**	**Percentage of the Company's issued share capital**
Mr. Chow Tak Hung *(note a)*	–	222,374,255	222,374,255	62.93%
Ms. Chau Choi Fa *(note b)*	222,374,255	–	222,374,255	62.93%

Notes:

(a) Mr. Chow Tak Hung, Ms. Chow Woon Yin and Ms. Wong Siu Wah are beneficial owners of 60%, 20% and 20% respectively of the issued share capital of Bright Asia Holdings Limited, which beneficially owns 222,374,255 ordinary shares of the Company.

(b) Mr. Chow Tak Hung is the husband of Ms. Chau Choi Fa whose personal interests are therefore also the family interests of Ms. Chau Choi Fa.

SHARE OPTION SCHEME AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

During the year, no share options were granted under the share option scheme by the Company. In addition, as of 31 December 2010, there were no outstanding share options under the share option scheme.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2010, none of the directors or the chief executive are aware of any other person who had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in ten per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long position in ordinary shares of HK$0.50 each of the Company:

Name of shareholder	**Capacity**	**Number of shares held**	**Percentage of the Company's issued share capital**
Bright Asia Holdings Limited *(note)*	Beneficial owner	222,374,255	62.93%

Note: Mr. Chow Tak Hung, Ms. Chow Woon Yin and Ms. Wong Siu Wah are beneficial owners of 60%, 20% and 20% respectively of the issued share capital of Bright Asia Holdings Limited.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 41.76% (2009: 31.19%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 15.00% (2009: 9.67%) of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 47.68% (2009: 27.36%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 16.11% (2009: 26.18%) of the Group's total purchases.

None of the directors, their associates or any shareholders, which to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in the share capital of the five largest customers or suppliers of the Group.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of the independence pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$151,000.

INDEPENDENT AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

CHOW TAK HUNG
Chairman

Hong Kong, 25 March 2011

Deloitte.
德勤

TO THE MEMBERS OF
WING LEE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wing Lee Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 77, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 25 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	2010 HK$'000	2009 HK$'000 (Restated)
Turnover	7	424,657	331,563
Cost of goods sold		(289,276)	(237,204)
Gross profit		135,381	94,359
Other income	8	903	3,983
Selling and distribution costs		(6,665)	(4,746)
Administrative expenses		(74,262)	(70,201)
Other expenses		(4,062)	(1,671)
(Loss) gain arising from fair value changes of investments held for trading		(896)	11,874
Gain on disposal of available-for-sale investments		88	571
Gain arising from fair value changes of investment properties	16	35,860	26,864
Impairment loss on available-for-sale investments		–	(24)
Finance costs	9	(892)	(1,168)
Profit before taxation	10	85,455	59,841
Taxation charge	11	(6,994)	(2,787)
Profit for the year		78,461	57,054
Other comprehensive income:			
Exchange differences arising from translation of foreign operations		13,090	–
Available-for-sale investments:			
Fair value changes during the year		–	(24)
Impairment loss recognised		–	24
Other comprehensive income for the year		13,090	–
Total comprehensive income for the year		91,551	57,054
Profit (loss) for the year attributable to:			
Owners of the Company		79,502	58,079
Non-controlling interests		(1,041)	(1,025)
		78,461	57,054
Total comprehensive income (expense) attributable to:			
Owners of the Company		92,420	58,079
Non-controlling interests		(869)	(1,025)
		91,551	57,054
Earnings per share	15		
– Basic		22.41 cents	16.28 cents

AT 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Non-current assets				
Investment properties	16	490,524	308,477	257,059
Property, plant and equipment	17	209,570	209,688	221,647
Prepaid lease payments	18	13,710	13,564	13,886
Available-for-sale investments	19	–	2,357	30,823
Deferred tax assets	20	–	235	297
Deposits paid for acquisition of investment properties		500	–	–
		714,304	534,321	523,712
Current assets				
Inventories	21	47,866	41,559	48,802
Trade and other receivables	22	84,112	77,345	66,773
Investments held for trading		–	10,058	26,950
Time deposits	23	4,716	11,460	15,987
Bank balances and cash	23	72,291	27,917	56,954
		208,985	168,339	215,466
Current liabilities				
Trade and other payables	24	61,344	51,691	50,914
Rental deposits received		4,512	3,370	2,465
Dividend payable		4	4	4
Taxation payable		12,066	10,559	7,386
Bank loans	25	142,481	20,000	117,217
		220,407	85,624	177,986
Net current (liabilities) assets		(11,422)	82,715	37,480
Total assets less current liabilities		702,882	617,036	561,192
Non-current liabilities				
Deferred tax liabilities	20	16,010	15,063	16,273
		686,872	601,973	544,919

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTE	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Capital and reserves				
Share capital	26	176,692	178,412	178,412
Share premium and reserves		510,221	422,381	364,302
Equity attributable to owners of the Company		686,913	600,793	542,714
Non-controlling interests		(41)	1,180	2,205
		686,872	601,973	544,919

The consolidated financial statements on pages 28 to 77 were approved and authorised for issue by the Board of Directors on 25 March 2011 and are signed on behalf of the Board by:

CHOW TAK HUNG
Chairman

CHOW WOON YIN
Deputy Chairman

FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	PRC statutory reserve HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009 as originally stated	178,412	78,815	1,545	–	19,016	4,574	30,079	12,641	226,975	552,057	2,205	554,262
Effect of changes in accounting policies	–	–	–	–	(8,875)	–	–	–	(468)	(9,343)	–	(9,343)
At 1 January 2009 as restated	178,412	78,815	1,545	–	10,141	4,574	30,079	12,141	226,507	542,714	2,205	544,919
Profit for the year	–	–	–	–	–	–	–	–	58,079	58,079	(1,025)	57,054
Fair value changes on available-for-sale investments	–	–	–	(24)	–	–	–	–	–	(24)	–	(24)
Impairment loss on available-for-sale investments	–	–	–	24	–	–	–	–	–	24	–	24
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	–	58,079	58,079	(1,025)	57,054
At 31 December 2009 (as restated)	178,412	78,815	1,545	–	10,141	4,574	30,079	12,641	284,586	600,793	1,180	601,973
Exchanged differences arising from translation of overseas operation	–	–	–	–	–	–	12,918	–	–	12,918	172	13,090
Profit for the year	–	–	–	–	–	–	–	–	79,502	79,502	(1,041)	78,461
Total comprehensive income (expense) for the year	–	–	–	–	–	–	12,918	–	79,502	92,420	(869)	91,551
2010 Interim dividend paid	–	–	–	–	–	–	–	–	(3,534)	(3,534)	–	(3,534)
Share repurchased and cancelled	(1,720)	–	–	–	–	–	–	1,720	(2,066)	(2,066)	–	(2,066)
Arising on acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(700)	(700)	(352)	(1,052)
At 31 December 2010	176,692	78,815	1,545	–	10,141	4,574	42,997	14,361	357,788	686,913	(41)	686,872

The special reserve arose pursuant to a group reorganisation in 1997 being the difference between the nominal amount of the share capital issued by the Company in exchange for the shares of the subsidiaries and the nominal amount of the share capital of the subsidiaries acquired, capital reduction and bonus issue by way of capitalisation of the reserve in 2005 and 2006.

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the PRC subsidiaries are required to maintain a statutory reserve fund, comprising an enterprise expansion fund. The statutory reserve funds are non-distributable. Appropriations to such reserves are made out of net profit after taxation annually of the PRC subsidiaries at the discretion of the board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied to convert into capital by means of a capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	85,455	59,841
Adjustments for:		
Allowance (reversal of allowance) for inventories	445	(12,053)
Amortisation of prepaid lease payments	327	322
Bad debts written off	–	9
Depreciation of property, plant and equipment	22,159	23,476
Dividend income	(236)	(1,200)
Gain arising from fair value changes of investment properties	(35,860)	(26,864)
Gain on disposal of available-for-sale investments	(88)	(571)
Impairment loss on available-for-sale investments	–	24
Interest expenses	892	1,168
Interest income	(298)	(849)
Loss (gain) arising from fair value changes of investments held for trading	896	(11,874)
Reversal of allowance of doubtful debts	–	(810)
Operating cash flows before movements in working capital	73,692	30,619
(Increase) decrease in inventories	(6,789)	19,296
Increase in trade and other receivables	(4,510)	(9,771)
Decrease in investments held for trading	9,162	28,766
Increase in trade and other payables	9,171	1,682
Net cash from operations	80,726	70,592
Hong Kong Profits Tax paid	(4,848)	(656)
PRC income tax paid	–	(106)
NET CASH FROM OPERATING ACTIVITIES	75,878	69,830
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment properties	(145,124)	(24,554)
Purchase of property, plant and equipment	(15,490)	(11,517)
Purchase of available-for-sale investments	(2,352)	(2,381)
Deposits paid for acquisition of investment properties	(500)	–
Decrease in time deposits	6,744	4,527
Proceeds from disposal of available-for-sale investments	4,797	31,394
Interest received	298	849
Dividend received	236	1,200
NET CASH USED IN INVESTING ACTIVITIES	(151,391)	(482)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	222,767	1,688
Repayment of bank loans	(100,286)	(98,905)
Dividend paid	(3,534)	–
Payment on repurchase of shares	(2,066)	–
Acquisition of additional interest in a subsidiary	(1,052)	–
Interest paid	(892)	(1,168)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	114,937	(98,385)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,424	(29,037)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	27,917	56,954
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,950	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	72,291	27,917
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS BANK BALANCES AND CASH	72,291	27,917

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company and ultimate holding company is Bright Asia Holdings Limited, a company which was incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 31.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKAS 27 (as revised in 2008) Consolidated and separate financial statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27(as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss. Also, in prior years, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses. Under HKAS 27(as revised in 2008), total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the acquisition of additional interest in Morning Star (Shanghang) Copper Company Limited in the current year. The change in policy has resulted in the difference of HK$700,000 between the consideration paid of HK$1,052,000 and the non-controlling interests recognised of HK$352,000 being recognised directly in equity, instead of recognised as goodwill, and the cash consideration paid in the current year of HK$1,052,000 has been included in cash flows from financing activities instead of investing activities. Also, a loss of HK$41,000 applicable to the non-controlling interests in excess of the non-controlling interests in a subsidiary is allocated against the non-controlling interest as a result of the application of the revised Standard. The application of HKAS 27 (as revised in 2008) had resulted in profit for the year attributable to owners of the Company being increased by HK$41,000 (please refer to the summary below for details).

Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause"

Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause" ("HK INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

Hong Kong Interpretation 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause" – continued

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$12,500,000 and HK$60,490,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009 and 1 January 2009 respectively. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$142,481,000 have been classified as current liabilities. The application of HK INT 5 has had no impact on the reported profit or loss nor the reported earning per share for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (please see note 6 for details).

HKAS 12 amendments Deferred tax: Recovery of underlying assets

Amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" have been applied in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

As a result, the Group's investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax liabilities and deferred tax assets in respect of such properties. This resulted in deferred tax liabilities being increased by HK$9,343,000 and HK$4,983,000 as at 1 January 2009 and 31 December 2009 respectively, with the corresponding adjustment being recognised in retained profits and the property revaluation reserves (please refer to the summary below for details).

In the current year, no deferred tax has been provided for in respect of changes in fair value of such investment properties located in Hong Kong, whereas previously deferred tax liabilities were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in profit for the year being increased by HK$4,102,000.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

Summary of the effects of the above changes in accounting policies

(a) The effects of changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	2010 HK$'000	2009 HK$'000
Decrease in taxation and increase in profit for the year	4,102	4,360
Increase in profit attributable to the owners of the Company as a result of the adoption of HKAS 27 (as revised in 2008)	41	–
Total increase in profit attributable to the owners of the Company	4,143	4,360

(b) The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2009 and 31 December 2009 is as follows:

	At 31 December 2009				At 1 January 2009			
	Originally stated HK$'000	Amendments to HKAS 12 HK$'000	HK INT 5 HK$'000	Restated HK$'000	Originally stated HK$'000	Amendments to HKAS 12 HK$'000	HK INT 5 HK$'000	Restated HK$'000
Bank loans classified as current liabilities	(7,500)	–	(12,500)	(20,000)	(56,727)	–	(60,490)	(117,217)
Bank loans classified as non-current liabilities	(12,500)	–	12,500	–	(60,490)	–	60,490	–
Deferred taxation (net)	(9,845)	(4,983)	–	(14,828)	(6,633)	(9,343)	–	(15,976)
Total effects on net assets	(29,845)	(4,983)	–	(34,828)	(123,850)	(9,343)	–	(133,193)
Property revaluation reserve	(19,016)	8,875	–	(10,141)	(19,016)	8,875	–	(10,141)
Retained profits	(280,694)	(3,892)	–	(284,586)	(226,975)	468	–	(226,507)
Total effects in equity	(299,710)	4,983	–	(294,727)	(245,991)	9,343	–	(236,648)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

Summary of the effects of the above changes in accounting policies – continued

(c) The effects of the above changes in accounting policies on the Group's basic earnings per share for the current and prior years are as follows:

	2010 HK cents	2009 HK cents
Figures before adjustments	21.24	15.05
Adjustments arising from changes in the Group's accounting policies in relation to:		
Deferred tax for investment properties	1.16	1.23
Increase in profit attributable to the owners of the Company as a result of the adoption of HKAS 27 (as revised in 2008)	0.01	–
Figures after adjustments	22.41	16.28

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 24 (as revised in 2009)	Related party disclosures[5]
HKAS 32 (Amendments)	Classification of rights issues[6]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 July 2010.

3 Effective for annual periods beginning on or after 1 July 2011.

4 Effective for annual periods beginning on or after 1 January 2013.

5 Effective for annual periods beginning on or after 1 January 2011.

6 Effective for annual periods beginning on or after 1 February 2010.

The directors of the Company anticipate that the application of the new or revised Standards and Interpretations will have no material impact on the consolidated financial statements.

2A. CHANGE OF ACCOUNTING ESTIMATES

Change of depreciation rate in the year

In previous years, furniture and office equipment, leasehold improvements, motor vehicles, moulds, plant and machinery were depreciated at 33⅓% per annum. With effect from 1 January 2010, the above items of property, plant and equipment are being depreciated at 20% per annum. The directors of the Company consider that the change in deprecation rate better reflects the actual useful lives of the Group's property, plant and equipment. This change in depreciation rate has decreased the depreciation charge for the year and the coming years by approximately HK$4,154,000 and will also decrease the depreciation charges for the coming years due to the increase in length of the estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, being the change in proportionate share of the net book value of the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Rental income, including rentals invoiced in advance, from properties let under operating leases is recognised on a straight line basis over the period of the respective lease.

Sales of goods are recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties including buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include amortisation of prepaid lease payments provided during the construction period, professional fees and, for qualifying assets or buildings borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Retirement benefit costs

Payments to defined contribution retirement benefits schemes including, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

For operations in the PRC, expenditure related to payments to the employees' social welfare system established by the state, including pensions, medical insurance, housing funds and other social welfare contributions, is included in profit or loss for the period in which it is incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property", such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i. e. based on the expected manner as to how the properties will be recovered).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing – continued

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale financial assets and investments held for trading. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, fixed deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at investments held for trading, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Investments held for trading

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; or it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

Investments held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets, other than the investments held for trading, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and others receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and others receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and others receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, dividend payable and bank loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income tax

As at 31 December 2010, no deferred tax assets are recognised in the Group's statement of financial position in relation to the estimated unused tax losses of HK$26,100,000 (2009: HK$39,100,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, recognition of a deferred tax asset may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of changes in circumstances, for example assets lasting longer or shorter than expected or technical innovation. Management will revise the expected useful lives and depreciation method for classes of property, plant and equipment where actual useful lives are identified to be different from the previously estimated lives and management may also need to write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold in the period when such events take place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues and share buy-back of the Company. The Group's overall strategy remains unchanged from the prior year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Investments held for trading	–	10,058
Loans and receivables (including cash and cash equivalents)	153,965	109,666
Available-for-sale financial assets	–	2,357
Financial liabilities		
Amortised cost	186,146	52,042

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, time deposits, bank balances, trade and other payables, dividend payable and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 25 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowings. The analysis is prepared assuming the bank balances and bank borrowings at the end of the reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For variable-rate bank balances, if the interest rates had been 10 basis points (2009: 10 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would increase/decrease by HK$77,000 (profit for the year ended 31 December 2009: increase/decrease by HK$39,000).

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Interest rate risk – continued

Sensitivity analysis – continued

For variable-rate bank borrowings, if the interest rates had been 50 basis points (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by HK$110,000 (profit for the year ended 31 December 2009: decrease/increase by HK$124,000).

Foreign currency risk

Several subsidiaries of the Company have foreign currency bank balances and trade receivables that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedge policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date, excluding balances which are denominated in United States dollars in group entities with Hong Kong dollars as functional currency as Hong Kong dollars is pegged to United States dollars, are as follow:

	2010 HK$'000	2009 HK$'000
Renminbi	174	463

Sensitivity analysis

The Group is mainly exposed to fluctuation in the exchange rate of Renminbi against Hong Kong dollars. Exposures on balances which are denominated in United States dollars in Group entities with Hong Kong dollars as functional currency are not considered significant as Hong Kong dollars is pegged to United States dollars. The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against Renminbi which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding Renminbi denominated monetary items and adjusts their translation at the year end for a 5% change in Renminbi rates. A negative number below indicates a decrease in profit for the year where Hong Kong dollars strengthen 5% against Renminbi. For a 5% weakening of Hong Kong dollars against Renminbi, there would be an equal and opposite impact on the profit or loss for the year, and the balances below would be positive.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Foreign currency risk – continued

Sensitivity analysis – continued

	2010 HK$'000	2009 HK$'000
Renminbi	(9)	(23)

Other price risk

As at 31 December 2010, the Group is not exposed to price risk as all of its investment in listed debt and equity securities were disposed of before the end of the reporting period.

As at 31 December 2009, the Group was exposed to price risk through its investments in listed debt and equity securities. The management managed this exposure by maintaining a portfolio of investments with different risks. The level and volatility of the prices of the securities may be affected by general economic and market conditions, such as interest rates, availability of credit and inflation rates. In addition, the Group had appointed a special team to monitor the price risk and would have considered hedged the risk exposure had the need arisen.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of the allowance for doubtful debts estimated by the Group's management based on prior experience and their assessment of the current economic environment. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances are limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no other significant concentration of credit risk. Trade receivables consists of a large number of customers, spread across diverse industries and geographical areas.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2010, the Group has available unutilised short-term bank loan facilities of approximately HK$139,076,000 (2009: HK$119,773,000). Details of which are set out in note 25.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand	Less than 1 year	Total undiscounted cash flows	Carrying amount at end of reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000
2010					
Non-derivative financial liabilities					
Trade and other payables	–	25,904	17,757	43,661	43,661
Variable rate bank loans (Note)	0.96	142,481	–	142,481	142,481
Dividend payable	–	4	–	4	4
		168,389	17,757	186,146	186,146
2009					
Non-derivative financial liability					
Trade and other payables	–	21,893	10,145	32,038	32,038
Variable rate bank loans (Note)	0.80	20,000	–	20,000	20,000
Dividend payable	–	4	–	4	4
		41,897	10,145	52,042	52,042

Note: Bank loans with a repayment on demand clause are included in the "repayable on demand" time band in the above maturity analysis. Subsequent to the end of the reporting period, the Group entered into revised banking facilities with banks to remove the repayable on demand clause for certain bank loans. The directors believe that such bank loans will be repaid after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements as follows:

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

	Total undiscounted cashflow HK$'000	Carrying amount at end of the reporting period HK$'000
As at 31 December 2010		
Bank loans to be repaid		
Within one year	42,764	41,657
In more than one year but not more than two years	12,609	11,657
Over two years	92,636	89,167
	148,009	142,481
As at 31 December 2009		
Bank loans to be repaid		
Within one year	7,623	7,500
In more than one year but not more than two years	7,576	7,500
Over two years	5,011	5,000
	20,210	20,000

The amounts included above for variable rate bank loans are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

Financial instruments measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Both the investments held for trading and available-for-sales investments of the Group as at 31 December 2009 were level 1 fair value measurements.

7. SEGMENT INFORMATION

The Group's operations are organised into three operating divisions namely manufacture of and trading in electronic components, properties investment and securities investment. These divisions are based on the information reported to the chief operating decision maker.

The executive directors of the Company (the "Executive Directors") have been identified as the chief operating decision maker. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources.

Manufacture of and trading in electronic components	–	manufacture of and trading in electronic jacks and connectors in Mainland China (the "PRC") and Hong Kong
Properties investment	–	investments in properties in PRC and Hong Kong
Securities investment	–	investments in debt securities and equity securities of Hong Kong and overseas markets

The following is an analysis of the Group's revenue and results by operating segment:

Segment revenues and results

	Manufacture of and trading in electronic components HK$'000	**Properties investment** HK$'000	**Securities investment** HK$'000	**Consolidated** HK$'000
For the year ended 31 December 2010				
TURNOVER				
External sales	409,466	15,191	–	424,657
RESULTS				
Segment results	42,643	45,687	(453)	87,877
Finance costs				(892)
Interest income on bank deposits				134
Unallocated expenses				(1,664)
Profit before taxation				85,455
For the year ended 31 December 2009				
TURNOVER				
External sales	320,282	11,281	–	331,563
RESULTS				
Segment results	13,773	34,406	14,063	62,242
Finance costs				(1,168)
Interest income on bank deposits				132
Unallocated expenses				(1,365)
Profit before taxation				59,841

7. SEGMENT INFORMATION – continued

Segment revenues and results – continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administration costs, interest income from bank deposits and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2010 HK$'000	2009 HK$'000 (Restated)
SEGMENT ASSETS		
Manufacture of and trading in electronic components	390,426	363,481
Properties investment	531,065	325,839
Securities investment	9,415	29,448
Total segment assets	930,906	718,768
Unallocated assets	1,188	371
Elimination	(8,805)	(16,479)
Consolidated assets	923,289	702,660
SEGMENT LIABILITIES		
Manufacture of and trading in electronic components	50,921	42,692
Properties investment	9,461	9,926
Total segment liabilities	60,382	52,618
Unallocated liabilities	184,840	64,548
Elimination	(8,805)	(16,479)
Consolidated liabilities	236,417	100,687

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets and cash and bank balances held by head office;
- all liabilities are allocated to operating segments other than liabilities of the head office, amounts due to segments by the head office, deferred tax liabilities, bank loans, dividend and taxation payable; and
- amounts due to segments by the head office are eliminated for segment disclosure purpose.

7. SEGMENT INFORMATION – continued

Other segment information

	Manufacturing of and trade in electronic components	Properties investment	Securities investment	Consolidated
	HKS'000	HK$'000	HK$'000	HK$'000
2010				
Amounts included in the measure of segment profit (loss):				
Depreciation and amortisation	22,486	–	–	22,486
Gain arising from fair value change on investment properties	–	35,860	–	35,860
Allowance for inventories	445	–	–	445
Loss arising from fair value change of investment held for trading	–	–	896	896
Gain on disposal of available-for-sale investments	–	–	88	88
2009				
Amounts included in the measure of segment profit:				
Depreciation and amortisation	23,798	–	–	23,798
Gain arising from fair value change on investment properties	–	26,864	–	26,864
Reversal of allowance for inventories	12,053	–	–	12,053
Gain arising from fair value changes of investments held for trading	–	–	11,874	11,874
Gain on disposal of available-for-sale investments	–	–	571	571

7. SEGMENT INFORMATION – continued

Turnover from major product and services

The following is an analysis of the Group's turnover from its major products and services:

	2010 HK$	2009 HK$
Manufacture of and trading in electronic components	409,466	320,282
Property rental income	15,191	11,281
	424,657	331,563

Geographical information

The Group's operations are mainly situated in Hong Kong and PRC. The following table provides an analysis of the Group's turnover by the location of customers and the Group's non-current assets by geographical location of assets:

	Turnover from external customers		Non-current assets	
	2010 HK$	2009 HK$	2010 HK$	2009 HK$
Hong Kong	153,306	141,864	471,687	292,636
PRC	104,732	71,105	242,617	239,093
Malaysia	58,891	33,184	N/A	N/A
Europe	48,446	51,913	N/A	N/A
America	7,419	3,805	N/A	N/A
Others	51,863	29,692	N/A	N/A
	424,657	331,563	714,304	531,729

Note: Non-current assets excluded deferred tax assets and available-for-sale investments.

7. SEGMENT INFORMATION – continued

Information about major customers

For the year ended 31 December, 2010, a customer from the segment of manufacture of and trading in electronic components contributing HK$63,774,000 of the total turnover of the Group, which is over 10% of the total turnover of the Group for the year.

There was no customer contributing over 10% of the total turnover of the Group for the year ended 31 December 2009.

8. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Interest on bank deposits	134	132
Interest on debt securities	164	717
Total interest income	298	849
Dividends from equity securities	236	1,200
Others	369	1,934
	903	3,983

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on bank loans	892	1,168

10. PROFIT BEFORE TAXATION

	2010 HK$'000	2009 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 12)	8,932	8,323
Other staff's retirement benefits scheme contributions	1,482	817
Severance payments	–	223
Other staff costs	85,323	70,929
	95,737	80,292
Amortisation of prepaid lease payments	327	322
Auditors' remuneration	1,120	935
Bad debt written off	–	9
Cost of inventories recognised as expense (including allowance for inventories of HK$445,000) (2009: reversal of allowance for inventories of HK$12,053,000)	289,276	237,204
Depreciation and amortisation of property, plant and equipment	22,159	23,476
Exchange losses	4,062	1,662
Operating lease rentals in respect of rented premises	353	630
and after crediting:		
Reversal of allowance of doubtful debts	–	810
Gross rental income less outgoings of HK$236,000 (2009: HK$208,000)	15,463	11,147

11. TAXATION

	2010 HK$'000	2009 HK$'000 (Restated)
The charge (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% on the estimated assessable profit for the year	5,991	2,394
PRC income tax	–	1,643
Under(over)provision of Hong Kong Profits Tax in prior years	299	(102)
	6,290	3,935
Deferred taxation charge (credit) (note 20)	704	(1,148)
	6,994	2,787

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

For PRC subsidiaries, 東莞彩燕電子有限公司, 東莞永衡電子有限公司, 星晨（羅定）電子有限公司 and 星晨實業（河源）有限公司, are entitled to exemption from PRC income tax for two years commencing from their first profit-making year, followed by a 50% reduction for the next three years. The tax concession given to 東莞永衡電子有限公司, 星晨（羅定）電子有限公司 and 星晨實業（河源）有限公司 remains effective under the new EIT Law and will expire in year 2012.

The charge for the year is reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000 (Restated)
Profit before taxation	85,455	59,841
Tax charge at applicable tax rate at 25%	21,364	14,960
Tax effect of income not taxable for tax purpose	(6,527)	(8,589)
Tax effect of expenses not deductible for tax purpose	2,340	1,035
Tax effect of tax losses not recognised	2,638	2,543
Utilisation of tax losses previously not recognised	(5,751)	–
Effect of different tax rates of subsidiaries operating in Hong Kong	(6,487)	(3,776)
Effect of tax concession granted to the PRC subsidiaries	–	(3,263)
Under(over)provision in prior years	299	(102)
Others	(882)	(21)
Tax charge for the year	6,994	2,787

12. DIRECTORS' REMUNERATION

	Fees	Basic salaries and allowances	Performance related incentive bonus	Retirement benefits scheme contributions	Total directors' emoluments
	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000
2010					
Executive directors					
Mr. Chow Tak Hung	–	1,081	2,100	12	3,193
Ms. Chow Woon Yin	–	1,081	700	12	1,793
Ms. Wong Siu Wah	–	1,081	700	12	1,793
Ms. Chau Choi Fa	–	1,081	700	12	1,793
Independent non-executive directors					
Dr. Lau Yue Sun	120	–	–	–	120
Mr. Yip Tai Him	120	–	–	–	120
Mr. Lam Kwok Cheong	120	–	–	–	120
	360	4,324	4,200	48	8,932
2009					
Executive directors					
Mr. Chow Tak Hung	–	1,048	1,680	12	2,740
Ms. Chow Woon Yin	–	1,048	680	12	1,740
Ms. Wong Siu Wah	–	1,048	680	15	1,743
Ms. Chau Choi Fa	–	1,048	680	12	1,740
Independent non-executive directors					
Dr. Lau Yue Sun	120	–	–	–	120
Mr. Yip Tai Him	120	–	–	–	120
Mr. Lam Kwok Cheong	120	–	–	–	120
	360	4,192	3,720	51	8,323

Note: The performance related incentive bonus payment is determined with reference to the operating results and individual performance for each year.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments in the year ended 31 December 2010 and 31 December 2009.

13. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included four (2009: four) executive directors of the Company whose emoluments are set out above. The aggregate emoluments of the remaining one (2009: one) highest paid individual is as follows:

	2010 HK$'000	2009 HK$'000
Basic salary and allowances	268	259
Performance related incentive bonus	3,362	3,339
Retirement benefits scheme contributions	12	12
	3,642	3,610

The emoluments of this employee were within the band HK$3,500,001 to HK$4,000,000.

14. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividends recognised as distribution during the year		
2010 interim dividend of HK1.0 cent per share (2009: Nil)	3,534	–

Subsequent to end of the reporting period, final dividend of HK2.0 cents per share in respect of the year ended 31 December 2010 has been proposed by the directors and is subject to approval by the shareholders in general meeting. No dividend was paid or proposed for the year ended 31 December 2009.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2010 is based on the profit for the year attributable to owners of the Company of HK$79,502,000 (2009: HK$58,079,000) and on the weighted average number of ordinary shares of 354,793,589 shares in issue during the year (2009: 356,823,879 shares).

No diluted earnings per share is presented as there were no potential dilutive shares in issue for both years.

16. INVESTMENT PROPERTIES

	2010	2009
	HK$'000	HK$'000
FAIR VALUE		
At 1 January	308,477	257,059
Currency realignment	1,063	–
Additions	145,124	24,554
Increase in fair value	35,860	26,864
At 31 December	490,524	308,477
The carrying value of the Group's investment properties comprises properties held under medium-term leases in		
– Hong Kong	453,500	274,500
– the PRC	37,024	33,977
	490,524	308,477

The fair value of the Group's investment properties at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on those dates by RHL Appraisal Limited ("RHL"), an independent firm of professional property valuers not connected with the Group. For properties situated in Hong Kong, the valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations and conditions. For those located in the PRC, a combination of the open market and depreciated replacement cost approaches were used in assessing the land portion of the properties and buildings structures standing on the land respectively. The depreciated replacement cost approach measures the fair value of a building in the PRC by estimating the new replacement costs of it based on the cost of constructing a similar building in similar locations, with deductions made to allow for age, condition and functional obsolescence.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Moulds, plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2009	190,504	6,248	8,559	9,559	164,793	36,856	416,519
Additions	3,557	–	–	514	6,146	1,300	11,517
At 31 December 2009	194,061	6,248	8,559	10,073	170,939	38,156	428,036
Currency realignment	6,017	–	444	218	5,884	1,347	13,910
Transfer	11,161	–	–	–	28,342	(39,503)	–
Additions	5,169	–	–	385	9,936	–	15,490
Disposals	–	–	–	(382)	–	–	(382)
Written-off	–	(4,297)	–	(3,392)	(109,540)	–	(117,229)
At 31 December 2010	216,408	1,951	9,003	6,902	105,561	–	339,825
DEPRECIATION							
At 1 January 2009	20,505	4,948	8,559	9,188	151,672	–	194,872
Provided for the year	10,277	650	–	543	12,006	–	23,476
At 31 December 2009	30,782	5,598	8,559	9,731	163,678	–	218,348
Currency realignment	893	–	444	210	5,812	–	7,359
Provided for the year	11,235	217	–	192	10,515	–	22,159
Eliminated on disposal	–	–	–	(382)	–	–	(382)
Eliminated on written-off	–	(4,297)	–	(3,392)	(109,540)	–	(117,229)
At 31 December 2010	42,910	1,518	9,003	6,359	70,465	–	130,255
CARRYING VALUES							
At 31 December 2010	173,498	433	–	543	35,096	–	209,570
At 31 December 2009	163,279	650	–	342	7,261	38,156	209,688

17. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Land and buildings in Hong Kong	50 years
Buildings in Mainland China	20 years
Furniture and office equipment	20%
Leasehold improvements	20%
Motor vehicles	20%
Moulds, plant and machinery	20%

	2010 HK$'000	2009 HK$'000
The carrying value of the Group's land and buildings comprises:		
Land and buildings held under		
– medium-term leases in Hong Kong	11,643	13,395
– medium-term land use right in the PRC	161,855	149,884
	173,498	163,279

18. PREPAID LEASE PAYMENTS

	2010 HK$'000	2009 HK$'000
The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease	14,043	13,886
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables)	333	322
Non-current asset	13,710	13,564
	14,043	13,886

19. AVAILABLE-FOR-SALE INVESTMENTS

	2010 HK$'000	2009 HK$'000
Debt securities listed overseas	–	2,357
The maturity of the debt securities falls into:		
Over one year but less than five years	–	2,357

At 31 December 2009, the debt securities comprise bonds listed overseas and the average effective interest rate was 11.75% per annum. At 31 December 2009, the investments were stated at fair value which was based on the market bid prices in the relevant markets.

20. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	**Fair value changes of investment properties** HK$'000	**Allowance for bad and doubtful debt** HK$'000	**Total** HK$'000
At 1 January 2009 as originally stated	(896)	(5,871)	134	(6,633)
Effect of change in accounting polices	–	(9,343)	–	(9,343)
At 1 January 2009 as restated	(896)	(15,214)	134	(15,976)
Credit (charge) to profit or loss for the year (note 11)	468	814	(134)	1,148
At 31 December 2009 as restated	(428)	(14,400)	–	14,828
Exchange adjustment	–	(478)	–	(478)
Credit (charge) to profit or loss for the year (note 11)	210	(914)	–	(704)
At 31 December 2010	(218)	(15,792)	–	(16,010)

20. DEFERRED TAXATION – continued

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2010 HK$'000	2009 HK$'000 (Restated)
Deferred tax liabilities	(16,010)	(15,063)
Deferred tax assets	–	235
	(16,010)	(14,828)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2009 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$8,400,000 (2009: HK$8,103,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of HK$26,100,000 (2009: HK$39,100,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$8,760,000 (2009: HK$11,481,000) that will expire in 2013. Other losses may be carried forward indefinitely.

21. INVENTORIES

	2010 HK$'000	2009 HK$'000
Raw materials	29,954	28,846
Work in progress	10,082	6,414
Finished goods	7,830	6,299
	47,866	41,559

22. TRADE AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade receivables	75,165	66,905
Other receivables	8,947	10,440
	84,112	77,345

Payment terms with customers are mainly on credit. Invoices are normally due for payment within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 120 days. The following is an aged analysis of trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
Age		
0 – 3 months	71,184	63,892
4 – 6 months	3,981	3,013
	75,165	66,905

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$11,987,000 (2009: HK$13,548,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there is no adverse change in the credit standing of the debtors from the date at which credit was initially granted. The Group does not hold any collateral over these balances. The average age of these receivables is 92 days (2009: 90 days).

Aging of trade receivables which are past due but not impaired

	2010 HK$'000	2009 HK$'000
0 – 3 months	11,750	13,548
4 – 6 months	237	–
Total	11,987	13,548

22. TRADE AND OTHER RECEIVABLES – continued

Aging of trade receivables which are past due but not impaired – continued

No interest is charged on overdue trade receivables, the Group provides fully for all receivables over eight months because historical experience is such that receivables past due beyond five months are generally not recoverable.

Movement in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	–	810
Reversal of allowance of doubtful debts	–	(810)
Balance at end of the year	–	–

At 31 December 2010, trade and other receivables denominated in foreign currencies other than the functional currencies of respective group entities amounted to approximately HK$62,462,000 (2009: HK$53,936,000), which is denominated in United States dollars.

23. BANK BALANCES AND CASH/FIXED DEPOSITS

Bank balances carry interest at prevailing market rates which is 0.01% (2009: 0.01%) per annum. The time deposits carry fixed interest rate of 1.91% (2009: 0.01%) per annum.

Included in bank balances and cash are the following amounts denominated in a currency other than the functional currency of the relevant group companies:

	2010 HK$'000	2009 HK$'000
United States dollars	29,443	14,411
Renminbi	174	463

24. TRADE AND OTHER PAYABLES

	2010 HK$'000	2009 HK$'000
Trade payables	17,757	10,145
Accrued expenses	20,911	22,893
Other payables	22,676	18,653
	61,344	51,691

The following is an aged analysis of the Group's trade payables presented based on the invoice date as at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
Age		
0 – 3 months	17,751	9,967
4 – 6 months	6	178
	17,757	10,145

The average credit period on purchases of goods is 90 days.

25. BANK LOANS

	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Carrying amounts of bank loans:			
– repayable within one year*	41,657	7,500	56,727
– not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	100,824	12,500	60,490
	142,481	20,000	117,217

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

25. BANK LOANS – continued

As at December 31, 2010, all of the bank loans are secured by mortgages over the Group's investment properties with carrying amount of HK$152,300,000 and carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.7% to 0.8% per annum. The effective interest rates for the year on the Company's bank loans range from 0.89% to 1.10% per annum.

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2010 HK$'000	2009 HK$'000
Floating rate		
– expiring within one year	139,076	119,773

Subsequent to the end of the reporting period, the Group entered into revised banking facilities with banks to remove the repayable on demand clause for certain bank loans. As a result, as at the date of this report, bank loans amounting to HK$80,842,000 as at 31 December 2010 which are repayable after one year and without a repayable on demand clause are reclassified from current liabilities to non-current liabilities.

26. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.50 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	400,000,000	200,000
Issued and fully paid:		
At 1 January 2009 and 31 December 2009	356,823,879	178,412
Share repurchased and cancelled	(3,440,000)	(1,720)
At 31 December 2010	353,383,879	176,692

26. SHARE CAPITAL – continued

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.5 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
May	1,366,000	0.63	0.62	859,920
Jun	2,074,000	0.60	0.58	1,205,600

The above shares were cancelled upon repurchase.

27. SHARE OPTIONS

Pursuant to an ordinary resolution passed in the Company's special general meeting held on 1 February 2003, the Company approved and adopted a share option scheme (the "Scheme") which will expire on 31 January 2013.

The purpose of the Scheme is to recognise and motivate the participants and to provide incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Under the Scheme, the directors may grant options to any eligible participants, including the Company's shareholders, all directors and any full-time employees of the Company or any subsidiaries and any suppliers, consultants or advisors who will provide or have provided services to the Group.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

27. SHARE OPTIONS – continued

The exercisable period of the options granted are determined by the board of directors of the Company at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, the Company may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 28 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed in nominal amount of 10% of the issued share capital of the Company at the date of approval of the Scheme. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 10% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of, the shares of the Company in issue from time to time.

During the year ended 31 December 2010 and 31 December 2009, no share options were granted under the Scheme by the Company. In addition, as of 31 December 2010 and 2009, no share options under the Scheme were outstanding.

28. OPERATING LEASE ARRANGEMENTS

As lessor

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments in respect of investment properties rented:

	2010 HK$'000	2009 HK$'000
Within one year	15,465	11,942
In the second to fifth year inclusive	8,304	9,077
Over five years	17,405	227
	41,174	21,246

The properties held have committed tenants for periods of up to 5 years with average lease term of 3 years.

28. OPERATING LEASE ARRANGEMENTS – continued

As lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of rented premises rented under non-cancellable operating leases which fall due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	2,127	1,234
In second to fifth year inclusive	45	1,159
	2,172	2,393

Leases are negotiated and rentals are fixed for an average term of two years.

29. CAPITAL COMMITMENTS

	2010 HK$'000	2009 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of:		
– property, plant and equipment	838	386
– investment property	4,500	–
	5,338	386

30. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF scheme charged to the consolidated statement of comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

30. RETIREMENT BENEFITS SCHEMES – continued

The employees of the Company's PRC subsidiaries are members of state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

31. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at 31 December 2010 and 2009 are as follows:

Name of subsidiary	**Place of incorporation/ establishment/ operation**	**Nominal value of issued and fully paid share/ registered capital**	**Principal activities**
Morning Star Industrial Company Limited	Hong Kong	HK$5,000,000	Trading in electronic jacks and connectors
星晨(羅定)電子有限公司 (note a)	PRC	HK$30,000,000	Manufacture of and trading in electronic jacks and connectors
星晨實業(河源)有限公司 (note b)	PRC	hk$160,000,000	Manufacture of and trading in electronic jacks and connectors
Extra Rich Development Limited	Hong Kong	HK$10,000	Property holding
Ocean World International Limited	BVI/Hong Kong	US$1,000	Investment holding and trading

Notes:

(a) 星晨(羅定)電子有限公司 is a wholly foreign investment enterprise established in the PRC for a term of 12 years commencing 2 January 2004.

(b) 星晨實業(河源)有限公司 is a wholly foreign investment enterprise established in the PRC for a term of 10 years commencing 16 August 2004.

31. PRINCIPAL SUBSIDIARIES – continued

Pursuant to Article 20 of the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法), subsidiaries in the PRC are entitled to apply for extension of the operation period. The directors intend to apply for such extension and consider that the subsidiaries in the PRC are able to renew the operating period at a minimal cost.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 December 2010 or at any time during the year.

32. RELATED PARTY TRANSACTIONS

Key management personnel compensation represents the amounts paid to the directors of the Company and the five highest paid individuals as set out in notes 12 and 13.

33. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into revised banking facilities with banks to remove the repayable on demand clause for certain bank loans. As a result, as at the date of this report, bank loans amounting to HK$80,842,000 as at 31 December 2010 which are repayable after one year and without a repayable on demand clause are reclassified from current liabilities to non-current liabilities.

FINANCIAL SUMMARY

	Fifteen months ended 31 December		Year ended 31 December		
	2006	2007	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	
RESULTS					
Turnover	411,738	394,334	421,334	331,563	424,657
Profit (loss) before taxation	70,711	90,527	(73,369)	59,841	85,455
Taxation (charge) credit	4,152	(5,773)	2,190	(2,787)	(6,994)
Profit (loss) for the period/year	74,863	84,754	(71,179)	57,054	78,461
Attributable to:					
Owners of the Company	74,900	85,254	(70,824)	58,079	79,502
Non-controlling interests	(37)	(500)	(355)	(1,025)	(1,041)
	74,863	84,754	(71,179)	57,054	78,461

			As at 31 December		
	2006	2007	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	
ASSETS AND LIABILITIES					
Total assets	646,096	778,612	739,178	702,660	923,289
Total liabilities	(119,874)	(190,456)	(194,259)	(100,687)	(236,417)
Net assets	526,222	588,156	544,919	601,973	686,872
Attributable to:					
Owners of the Company	524,070	586,235	542,714	600,793	686,913
Non-controlling interests	2,152	1,921	2,205	1,180	(41)
	526,222	588,156	544,919	601,973	686,872

AT 31 DECEMBER 2010

SUMMARY OF PROPERTIES HELD FOR INVESTMENT

Details of the Group's major properties held for investment at 31 December 2010 are as follows:

Property address	Existing use	Lease term
Shop No. 7 on Ground Floor, Rialto Building, No. 2 Landale Street, Wanchai, Hong Kong	Commercial	Medium-term lease
Shop Nos. C2A and C2B and C2D on Ground Floor, China Insurance Group Building, No. 141 Des Voeux Road, Central, Hong Kong	Commercial	Medium-term lease
Ground Floor and Cockloft, No. 61 Wellington Street, Central, Hong Kong	Commercial	Medium-term lease
Ground Floor, Flat A and Flat B and Flat C on 1st Floor, including Flat Roof, Wah Fung Building, Nos. 296 – 298 Lockhart Road, Wanchai, Hong Kong	Commercial	Medium-term lease
Flat B on G/F (Shop B on G/F) Hung Fook Mansion, No. 360 Lockhart Road, Wanchai, Hong Kong	Commercial	Medium-term lease
Ground Floor, Nin Fung Mansion, No. 412 Lockhard Road, Wanchai, Hong Kong	Commercial	Medium-term lease
Shops A, B, C on G/F and Flats A, B, C on 1/F, Kam Tak Mansion, Nos. 88 – 90 Queen's Road East, Wanchai, Hong Kong	Commercial	Medium-term lease

SUMMARY OF PROPERTIES HELD FOR INVESTMENT

AT 31 DECEMBER 2010

Property address	Existing use	Lease term
Shop E on Ground Floor and Mess Floor, Cheong Hong Mansion, Nos. 25 – 33 Johnston Road, Nos. 1 – 3 Thomas Road, No. 2 Fenwick Street, Wanchai, Hong Kong	Commercial	Medium-term lease
Ground Floor, No. 46 Morrison Hill Road, Wanchai, Hong Kong	Commercial	Medium-term lease
Ground & Mezzanine Floor, Mandarin Commercial House, No. 38 Morrison Hill Road, Wanchai, Hong Kong	Commercial	Medium-term lease
G/F, Wayson Commercial House, Nos. 68 – 70 Lockhard Road, Wanchai, Hong Kong	Commercial	Medium-term lease
G/F – 8/F, No. 656 Shanghai Street, Mongkok, Hong Kong	Commercial	Medium-term lease
G/F – 3/F, No. 3 Ma Tau Kok Road, Tokwawan, Hong Kong	Commercial	Medium-term lease
Qingfeng Road West, Second Industrial Area, Sijia Administrative Area, Shijie Town, Dongguan City, Guangdong Province, PRC	Commercial	Medium-term lease